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**P E N S I O N P L A N**

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**ANNUAL REPORT**

for the fiscal year ended March 31, 1992







**PROVINCIAL TREASURER**

224 Legislature Building, Edmonton, Alberta Canada T5K 2B6


The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1992.

Respectfully submitted,

Jim Dinning  
Provincial Treasurer



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<b>Table of Contents</b>	<b>Page</b>
Introduction	2
Plan Overview	2
Review of Operations	3
Actuarial Liabilities	4
Participation	4
Book Entry Transfers	5
Reciprocal Agreements	6
Reciprocal Transfers	7
Contributions	8
Refunds	9
Death in Service Benefits	9
Information and Counselling Services	9
Pension Benefits	10
Statement of Receipts and Payments	15
Comparative Statistics	16





## Introduction

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The Public Service Pension Plan was established effective April 1, 1947, by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta government, its agencies, boards, commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985, and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

In June 1990, the federal Income Tax Act was amended to give effect to a reform of the rules governing tax assistance for retirement savings. In order to retain its status as a tax registered pension plan, the Public Service Pension Plan required amendment effective January 1, 1992.

Accordingly, the Pension Statutes (Transitional Arrangements) Act, 1991 was passed to effect the changes. This Act was subsequently repealed and its provisions incorporated in the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992.

In March 1992, the Provincial Treasurer and the Public Service Pension Plan Board announced the terms of an agreement relating to the funding and management of the plan. The Provincial Treasurer proposes to introduce legislation to give effect to the agreed changes.

## Plan Overview

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The Public Service Pension Plan is a contributory defined benefit plan. Since 1989, both employees and employers have contributed at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. In order to comply with the amended federal Income Tax Act, contributions are limited to those applicable to pensionable earnings up to \$95,711 for the 1991 and 1992 calendar years.

The net amount of pension contributions less payments is deposited to or withdrawn from the

pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55, if they have accumulated five years of pensionable service. For the purpose of this plan, normal pensionable age is 65. Members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement



## Plan Overview (Cont'd)

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age although federal tax legislation requires that pension payments must begin no later than the end of the year in which the member reaches age 71. Therefore, contributions will not be required and service will not accrue beyond that date.

Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and 2 percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. Pension benefits earned after December 31, 1991, are subject to the maximums imposed by the Income Tax Act. The maximum benefit that can be earned for the 1992 year of service is \$1,722, which equates to maximum pensionable earnings of \$95,711.

If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint

pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Up to December 31, 1991, single members could elect a single life pension, a normal pension, or a life pension with a 10, 15, or 20 year guarantee period. After January 1, 1992, in accordance with Revenue Canada rules, the 20 year guarantee option is no longer available. Members may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

## Review of Operations

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The Public Service Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

Compliance with the June 1990 amendments to the federal Income Tax Act was required effective January 1, 1992. Accordingly, the focus during the year was on computer system, procedural, and other administrative changes required to effect compliance with the new law. Of particular note were the introduction of a system to administer the prior service certification rules, and the application of updated actuarial factors.

As noted in the introduction, the Provincial Treasurer intends to introduce legislation to effect changes to the design, funding, and administration

of the Public Service Pension Plan. Considerable administrative effort was expended by division staff during the year in planning, reviewing, and analyzing the proposed changes.

The day to day processing of pension transactions is being moved over time from a mainframe to a mini computer. The advantages expected from this move include reduced costs of operation, reduced future development and maintenance costs, and greater flexibility in meeting specific pension requirements. During the year under review, the system for calculating retirement benefits was successfully migrated to the mini computer.

In the previous year, it was reported that the administration had introduced, on a pilot basis, a



## **Review of Operations (Cont'd)**

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system to enable employers to directly deposit their contribution remittances into a bank. The pilot test proved to be successful and during the

fiscal year 1991–92, the facility was made available to all employers.

## **Actuarial Liabilities**

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An independent actuarial valuation of the Public Service Pension Plan was carried out at December 31, 1991. The valuation took account of the benefit adjustments required by the application of the revised federal tax rules. In addition, based upon consultations between the Government and the Pension Board, revised economic and

demographic assumptions were incorporated into the valuation. The valuation estimated the accrued liability of the Public Service Pension Plan at December 31, 1991, to be \$2,376,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.4 percent.

## **Participation**

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At March 31, 1992, there were 48 employers participating in the Public Service Pension Plan, 51,203 active contributors, and 2,932 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

## Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These

transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount \$	Number	Amount \$
Public Service Management Pension Plan	25	426,908	263	7,439,725
Local Authorities Pension Plan	148	2,134,964	186	3,025,248
Universities Academic Pension Plan	5	102,027	44	926,518
	178	2,663,899	493	11,391,491



## Reciprocal Agreements

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At March 31, 1992, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

### Within Alberta

- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Universities Academic Pension Plan

### Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie College and University
- Government of British Columbia
- Government of Canada
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- McGill University
- McMaster University

- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Ontario Workers' Compensation Board
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Ryerson Polytechnical Institute
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation
- Saskatchewan Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Research Council
- Saskatchewan Teachers' Superannuation Commission
- University of Guelph
- University of Manitoba
- University of Toronto

## Reciprocal Transfers

During the year ended March 31, 1992, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Teachers' Retirement Fund	8	129,250	11	156,947
Government of British Columbia	4	110,592	11	215,201
Government of Canada	7	162,735	28	335,071
Government of Ontario	4	21,543	8	189,631
Manitoba Civil Service				
Superannuation Board	3	33,764	-	-
Saskatchewan Health Care Association	4	32,770	-	-
Other	8	90,518	9	201,393
	38	581,172	67	1,098,243



## Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1992:

	Participants At March 31, 1992	Contributions Received		
		Employee \$	Employer \$	Total \$
Government of Alberta	30,083	47,414,485	45,489,387	92,903,872
Agricultural Development Corporation	157	296,836	284,464	581,300
Alberta Alcoholism and Drug Abuse Commission	396	626,460	627,004	1,253,464
Alberta Cancer Board	846	1,587,365	1,552,400	3,139,765
Alberta Educational Communi- cations Corporation	166	265,464	263,901	529,365
Alberta Hail and Crop Insurance Corporation	157	241,712	227,293	469,005
Alberta Liquor Control Board	1,373	1,847,302	1,793,532	3,640,834
Alberta Opportunity Company	94	159,555	156,555	316,110
Alberta Racing Commission	17	39,973	33,893	73,866
Energy Resources Conservation Board	757	1,551,834	1,532,336	3,084,170
Petroleum Marketing Commission	104	182,533	180,318	362,851
Special Areas Board	101	168,839	153,772	322,611
Treasury Branches	2,728	2,995,047	2,936,132	5,931,179
Workers' Compensation Board	1,505	2,315,562	2,261,888	4,577,450
Athabasca University	141	158,262	155,557	313,819
Banff Centre for Continuing Education	255	297,570	292,759	590,329
University of Alberta	3,777	5,346,966	4,903,473	10,250,439
University of Calgary	1,976	2,423,312	2,386,314	4,809,626
University of Lethbridge	350	383,715	372,647	756,362
University of Alberta Hospital	4,463	6,431,277	6,182,636	12,613,913
University of Alberta Student's Union	44	48,830	48,831	97,661
Health Units	1,704	2,411,445	2,321,531	4,732,976
Alberta Union of Provincial Employees	3	4,413	4,413	8,826
Other	6	7,593	7,650	15,243
Accounts Held on Deposit	2,932	415	-	415
	54,135	77,206,765	74,168,686	151,375,451

## Refunds

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The following amounts of member contributions and interest were refunded during the year to members terminating employment:

In addition, 126 refunds of excess contributions totalling \$83,431 were made to members and employers during the year.

	Number	Amount \$
Cash	1,873	5,053,667
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,607	9,976,700
	3,480	15,030,367

## Death in Service Benefits

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In the current year, 82 members died while in service. Thirty-three of the surviving spouses were granted spousal pensions. Lump sums were paid to

a total of 57 individual beneficiaries in respect of the other 49 deaths in service.

## Information and Counselling Services

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In July 1991, an announcement was made by the Provincial Treasurer regarding proposed reforms to the Alberta public sector pension plans. In conjunction with the announcement, two publications were issued entitled, *Planning Responsibly for the Future—A Discussion Paper on Public Sector Pensions* and *Proposals for Pension Reform*. The administration also provided a toll-free line to assist plan members and the public with questions they had on the proposed reform measures.

In February 1992 a pension information leaflet entitled *The Effect of Federal Income Tax Changes* was produced to advise all plan

participants of the effect of federal tax changes on their pension plan.

As mentioned in the introduction, in March 1992, the Provincial Treasurer and the Public Service Pension Plan Board announced that an agreement had been reached regarding pension reform, and issued publications entitled *Terms of the Agreement* and *Securing Your Public Sector Pension—A Joint Response to Members*. These were made available to all interested parties.

Payroll and Pensions Division presented 33 information seminars and 30 pre-retirement seminars to employees during the year. In



## Information and Counselling Services (Cont'd)

addition, one orientation and four general workshops were held for employers to assist them in their pension administration responsibilities. Two workshops were held to assist employers with plan revisions resulting from the revised Income Tax Act. One workshop was held to assist employers with plan changes proposed in the Terms of Agreement between the Minister and the Public Service Pension Plan Board. The average attendance for each seminar and workshop was 35 and 42 respectively.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to active participants in the plan.

## Pension Benefits

During the year ended March 31, 1992, pension benefits paid totalled \$93,478,131; an increase of \$5,158,737 (5.8 percent) over the previous year. A

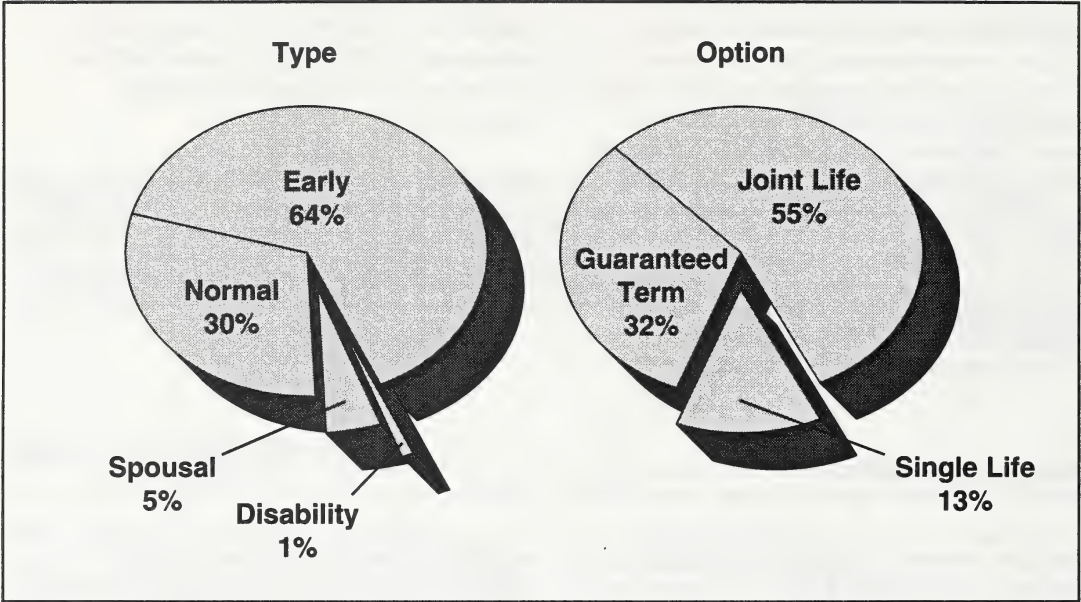
total of 684 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1992		1991	
Normal Retirement	203		152	
Early Retirement	440	( 267)	280	( 169)
Partial or Total Disability	8	( 5)	8	( 1)
Death-in-Service (Spousal)	33	( 8)	33	( 12)
	684	( 280)	473	( 182)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 144 were in respect of deferred retirements from previous years (14 normal, 125 early, and five disability).

The charts below illustrate the relative proportions of retirements during the year by type and by option chosen:



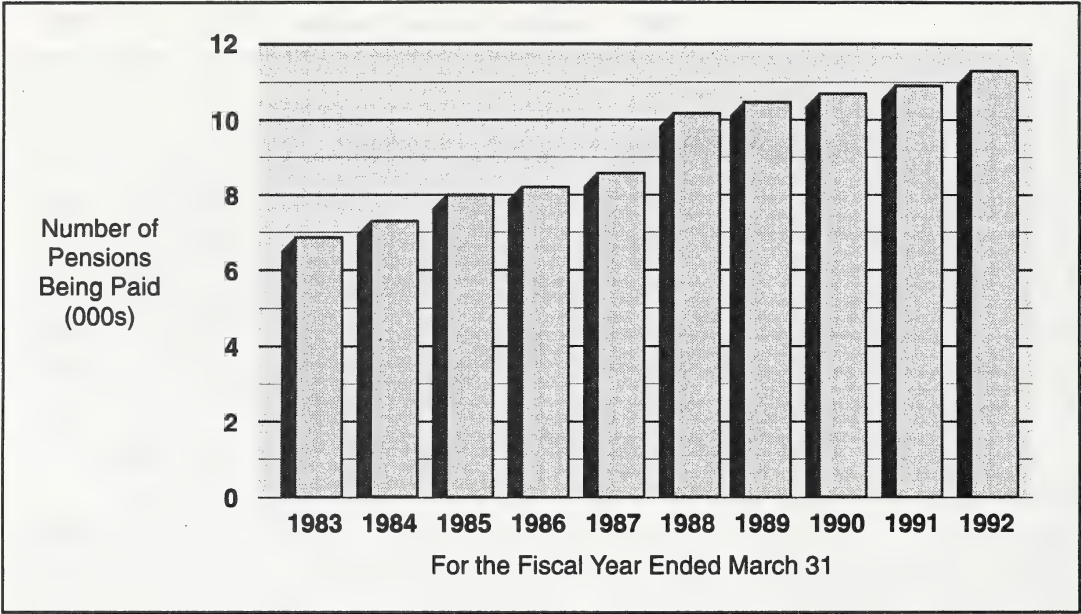


Pension options selected by members were as follows:

	At April 1, 1991	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At March 31, 1992
<b>Member Pensions</b>						
Normal (guaranteed 5 years)	1,713	48		( 50)		1,711
Single Life	1,274	78		( 39)		1,313
Guaranteed 10 years	1,835	46	25	( 79)	(22)	1,805
Guaranteed 15 years	1,265	51	21	( 42)	(19)	1,276
Guaranteed 20 years	1,134	50	21	( 31)	(14)	1,160
Joint Life non-reduced	1,951	305	32	( 39)		2,249
Joint Life reduced one third	708	65	14	( 19)		768
Joint Life reduced one half	162	8	2	( 8)		164
<b>Spousal Pensions</b>						
Single Life	300	9		( 3)		306
Guaranteed 5 years	44	3		( 1)		46
Guaranteed 10 years	83	3		( 1)		85
Guaranteed 15 years	92			( 1)	( 1)	90
Guaranteed 20 years	361	18				379
<b>Total Pensions</b>	<b>10,922</b>	<b>684</b>	<b>115</b>	<b>(313)</b>	<b>(56)</b>	<b>11,352</b>
Pensions Co-ordinated with CPP and/or OAS	4,838	280	35	(109)	(24)	5,020

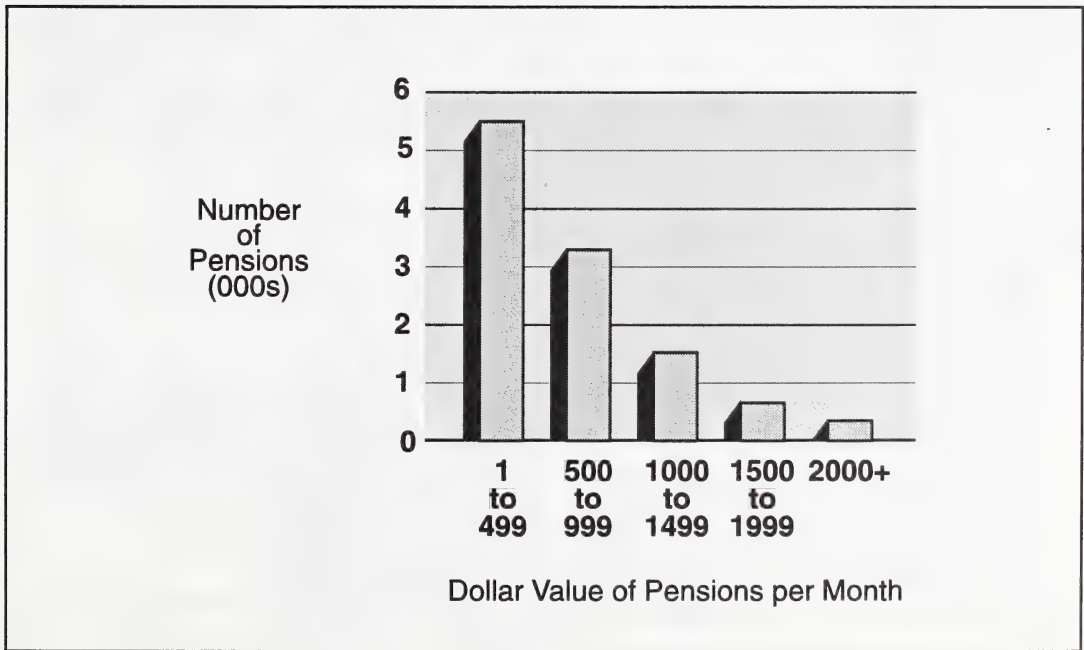
**Note:** The April 1, 1991 opening balance has been adjusted to reflect the transfer of nine pensions from the Members of the Legislative Assembly Pension Plan. These are pensions which commenced to be paid to MLAs before the establishment of the MLA Pension Plan in 1969, and which should have continued to be recorded as Public Service pensions.

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1992, by dollar value of monthly pension:

Dollar Value Per Month \$	Member Pensions	Spousal Pensions	Total
1 to 499	4,967	543	5,510
500 to 999	3,039	261	3,300
1,000 to 1,499	1,452	77	1,529
1,500 to 1,999	645	19	664
2,000 and over	343	6	349
	10,446	906	11,352



Effective January 1, 1992, a cost of living adjustment of 2.5 percent was granted to those pensioners in receipt of a pension for one year or

more with a proportionately smaller increase granted to those retiring during the calendar year 1991.



# Statement of Receipts and Payments

## Year Ended March 31, 1992

	1992	1991
	\$	\$
<b>RECEIPTS</b>		
Employee contributions	77,206,765	72,986,606
Employer contributions	74,168,686	70,072,103
Interest on overdue receivables	841	288
Total Receipts	151,376,292	143,058,997
<b>PAYMENTS</b>		
<b>Benefits</b>		
Pensions to retired members	86,732,819	81,759,417
Pensions to surviving spouses	5,707,211	5,458,540
Lump sums to beneficiaries of deceased pensioners	294,487	443,279
Lump sums to beneficiaries of deceased employees	743,614	658,158
	93,478,131	88,319,394
<b>Withdrawals</b>		
Refunds of contributions and interest		
to terminated members	15,030,367	15,957,527
Reciprocal agreement transfers	1,098,243	1,381,800
Refunds of excess contributions	83,431	76,392
	16,212,041	17,415,719
Total Payments	109,690,172	105,735,113
Excess of Receipts over Payments	41,686,120	37,323,884

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

## Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five

fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

Fiscal Year	(000s)						Excess of Receipts Over Payments
	RECEIPTS			PAYMENTS			
	Employee	Employer	Total	Benefits	With- drawals	Total	
	\$	\$	\$	\$	\$	\$	
1991/92	77,207	74,169	151,376	93,478	16,212	109,690	41,686
1990/91	72,987	70,072	143,059	88,319	17,416	105,735	37,324
1989/90	66,355	64,205	130,560	84,529	16,182	100,711	29,849
1988/89	59,012	57,014	116,026	81,944	15,789	97,733	18,293
1987/88	54,864	52,433	107,297	75,960	15,025	90,985	16,312

